

31, 1995," after "ten years of service" every time it occurs; and

(2) by inserting "or five or more years of service, all of which accrues after December 31, 1995," after "ten or more years of service".

(h) AUTOMATIC BENEFIT ELIGIBILITY ADJUSTMENTS.—Section 19 of Railroad Retirement Act of 1974 is amended—

(1) by inserting "or five or more years of service, all of which accrues after December 31, 1995," after "ten years of service" in subsection (c); and

(2) by inserting "or five or more years of service, all of which accrues after December 31, 1995," after "ten years of service" in subsection (d)(2).

(i) CONFORMING AMENDMENTS.—

(1) Section 6(e)(1) of the Railroad Retirement Act of 1974 is amended by inserting "or five or more years of service, all of which accrues after December 31, 1995," after "ten years of service".

(2) Section 7(b)(2) of the Railroad Retirement Act of 1974 is amended by inserting "or five or more years of service, all of which accrues after December 31, 1995," after "ten years of service".

(3) Section 205(i) of the Social Security Act is amended by inserting "or five or more years of service, all of which accrues after December 31, 1995," after "ten years of service".

(j) EFFECTIVE DATE.—The amendments made by this section shall take effect January 1, 2001.

#### SEC. 104. REPEAL OF RAILROAD RETIREMENT MAXIMUM.

(a) EMPLOYEE ANNUITIES.—Section 3(f) of the Railroad Retirement Act of 1974 is amended by striking paragraph (1).

(b) SPOUSE AND SURVIVOR ANNUITIES.—Section 4 of the Railroad Retirement Act of 1974 is amended by striking subsection (c).

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective January 1, 2001, and shall apply to annuity amounts accruing for months after December 2000.

#### SEC. 105. INVESTMENT OF RAILROAD RETIREMENT ASSETS.

(a) ESTABLISHMENT OF RAILROAD RETIREMENT INVESTMENT TRUST.—Section 15 of the Railroad Retirement Act of 1974 is amended by inserting after subsection (i) the following:

"(j) RAILROAD RETIREMENT INVESTMENT TRUST.—

"(1) ESTABLISHMENT.—The Railroad Retirement Investment Trust (hereinafter in this subsection referred to as the 'Trust') is hereby established. The Trust shall manage and invest the assets of the Railroad Retirement Trust Fund (hereinafter in this section referred to as the 'Fund'), which is hereby established as a trust organized in the District of Columbia and shall, to the extent not inconsistent with this Act, be subject to the laws of the District of Columbia applicable to such trusts.

"(2) NOT A FEDERAL AGENCY OR INSTRUMENTALITY.—The Trust is not a department, agency, or instrumentality of the Government of the United States and shall not be subject to title 31, United States Code.

"(3) BOARD OF TRUSTEES.—

"(A) GENERALLY.—The Trust shall have a Board of Trustees, consisting of 7 members, each appointed by a unanimous vote of the Railroad Retirement Board. The Railroad Retirement Board may remove any member so appointed by unanimous vote. Of the 7 members, 3 shall represent the interests of labor, 3 shall represent the interests of management, and 1 shall represent the interests of the general public. The members of the Board of Trustees shall not be considered of-

ficers or employees of the Government of the United States.

"(B) QUALIFICATIONS.—Members of the Board of Trustees shall be appointed only from among persons who have experience and expertise in the management of financial investments and pension plans. No member of the Railroad Retirement Board shall be eligible to be a member of the Board of Trustees.

"(C) TERMS.—Except as provided in this subparagraph, each member shall be appointed for a 3-year term. The initial members appointed under this paragraph shall be divided into 3 equal groups so nearly as may be, of which one group will be appointed for a 1-year term, one for a 2-year term, and one for a 3-year term. A vacancy in the Board of Trustees shall not affect the powers of the Board of Trustees and shall be filled in the same manner as the selection of the member whose departure caused the vacancy. Upon the expiration of a term of a member of the Board of Trustees, that member shall continue to serve until a successor is appointed.

"(4) POWERS OF THE BOARD OF TRUSTEES.—The Board of Trustees shall—

"(A) retain independent advisers to assist it in the formulation and adoption of its investment guidelines;

"(B) retain independent investment managers to invest the assets of the Fund in a manner consistent with such investment guidelines;

"(C) invest assets in the Fund, pursuant to the policies adopted in subparagraph (A);

"(D) pay administrative expenses of the Fund and the Trust from the money in the Fund; and

"(E) transfer money to the disbursing agent to pay benefits payable under this Act from money in the Fund and administrative expenses related to those benefits.

"(5) REPORTING REQUIREMENTS AND FIDUCIARY STANDARDS.—The following reporting requirements and fiduciary standards shall apply with respect to the Railroad Retirement Trust and the Railroad Retirement Trust Fund (and the assets held in such Trust Fund):

"(A) DUTIES OF THE BOARD OF TRUSTEES.—The Railroad Retirement Trust and each member of the Board of Trustees shall discharge their duties with respect to the assets of the Fund solely in the interest of the Railroad Retirement Board and through it, the participants and beneficiaries of the programs funded under this Act—

"(i) for the exclusive purpose of—

"(I) providing benefits to participants and their beneficiaries; and

"(II) defraying reasonable expenses of administering the functions of the Trust;

"(ii) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

"(iii) by diversifying investments so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

"(iv) in accordance with Trust governing documents and instruments insofar as such documents and instruments are consistent with this Act.

"(B) PROHIBITIONS WITH RESPECT TO MEMBERS OF THE BOARD OF TRUSTEES.—No member of the Board of Trustees shall—

"(i) deal with the assets of the Fund in the trustee's own interest or for the trustee's own account;

"(ii) in an individual or in any other capacity act in any transaction involving the assets of the Fund on behalf of a party (or represent a party) whose interests are adverse to the interests of the Trust, the Fund, the

Railroad Retirement Board, or the interests of participants or beneficiaries; or

"(iii) receive any consideration for the trustee's own personal account from any party dealing with the assets of the Fund.

"(C) EXCULPATORY PROVISIONS AND INSURANCE.—Any provision in an agreement or instrument that purports to relieve a trustee from responsibility or liability for any responsibility, obligation or duty under this Act shall be void: *Provided, however*, That nothing shall preclude—

"(i) the Trust from purchasing insurance for its trustees or for itself to cover liability or losses occurring by reason of the act or omission of a trustee, if such insurance permits recourse by the insurer against the trustee in the case of a breach of a fiduciary obligation by such trustee;

"(ii) a trustee from purchasing insurance to cover liability under this section from and for his own account; or

"(iii) an employer or an employee organization from purchasing insurance to cover potential liability of one or more trustees with respect to their fiduciary responsibilities, obligations, and duties under this section.

"(D) BONDING.—Every trustee and every person who handles funds or other property of the Fund (hereafter in this subsection referred to as 'Trust official') shall be bonded. Such bond shall provide protection to the Fund against loss by reason of acts of fraud or dishonesty on the part of any Trust official, directly or through the connivance of others, and shall be in accordance with the following:

"(i) The amount of such bond shall be fixed at the beginning of each fiscal year of the Trust by the Railroad Retirement Board. Such amount shall not be less than 10 percent of the amount of the funds handled. In no case shall such bond be less than \$1,000 nor more than \$500,000, except that the Railroad Retirement Board, after consideration of the record, may prescribe an amount in excess of \$500,000, subject to the 10 percent limitation of the preceding sentence.

"(ii) It shall be unlawful for any Trust official to receive, handle, disburse, or otherwise exercise custody or control of any of the funds or other property of the Fund without being bonded as required by this subsection and it shall be unlawful for any Trust official, or any other person having authority to direct the performance of such functions, to permit such functions, or any of them, to be performed by any Trust official, with respect to whom the requirements this subsection have not been met.

"(iii) It shall be unlawful for any person to procure any bond required by this subsection from any surety or other company or through any agent or broker in whose business operations such person has any control or significant financial interest, direct or indirect.

"(E) AUDIT AND REPORT.—

"(i) The Trust shall annually engage an independent qualified public accountant to audit the financial statements of the Fund.

"(ii) The Trust shall submit an annual management report to the Congress not later than 180 days after the end of the Trust's fiscal year. A management report under this subsection shall include—

"(I) a statement of financial position;

"(II) a statement of operations;

"(III) a statement of cash flows;

"(IV) a statement on internal accounting and administrative control systems;

"(V) the report resulting from an audit of the financial statements of the Trust conducted under subparagraph (E)(i); and

"(VI) any other comments and information necessary to inform the Congress about the